



Impacts of the Proposed US Direct Payment PTC Incentive for Renewable Energy Projects

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EXECUTIVE SUMMARY

This work studies the anticipated changes to project financial structure, risks, and IRR associated with a proposed United States Congress “direct payment” method associated with the Production Tax Credits (“PTC”), to incentivize the implementation of renewable energy projects.

The tax-equity structure currently used in many renewable energy financings, however, has project and non-project related limitations, which limits both the pool of potential investors, and the ability of the sector to fully benefit from the unprecedented Environmental, Social, and Governance (“ESG”) interest and capital availability.

The aforementioned limitations of the current PTC-based system may be reduced or eliminated by a current Congressional proposal to alter the incentive with the option of direct payments. This change would alter the project finance structure for renewable energy projects to more nearly that of a more typical infrastructure project, with sponsor equity and project level debt.

This change, in addition to increasing the number of potential financiers and improving competition, would also increase the potential Internal Rate of Return (“IRR”) – for projects with similar commercial and operational characteristics, differing only in financial/corporate structure (tax equity without direct pay vs. direct pay without tax equity) - to the Sponsor while, at the same time, exposing them to different up- and down-side risks.

1 INTRODUCTION

Renewable energy projects in the United States have a somewhat peculiar funding structure. Unlike other, large scale, infrastructure projects, renewable energy projects aren't usually funded with a straight mix of sponsor equity and project level debt.

Due to the PTC-related tax incentives (without a "direct payment" option) put in place by the 1992 Energy Policy Act, these tax incentives can only be claimed by entities that have large tax liabilities, which fomented the creation of a unique funding structure and market, in which the sponsor commits equity alongside a partner with such liability (typically referred to as the Tax Equity partner), who commits capital in a novel, quasi-debt like manner. If the sponsor is interested in raising debt, they'll have to do that at the project-holding level - in order to use their equity stake in the Joint Venture ("JV") as collateral, without creating another lien on the project level - through an instrument called back-leverage debt.

This structure has a number of drawbacks, with unnecessarily complicated and costly corporate structures, as well as the exclusion of investors without such tax liabilities from the space, among the most important ones.

There is, however, a movement among the US Congress aiming to allow the projects to claim such incentives as direct payments in lieu of tax credits. As currently being considered, such direct payments would be made starting in 2022, for projects built starting in 2022 up until 2027, when a 20% per year phase down would commence. This would not only broaden the pool of investors, likely bringing costs of capital down, but also streamline the corporate structure of the projects.

2 Background: Project Finance for Renewable Energy in the US

Project finance can be defined as the provision of funding for a business venture; usually large-scale, capital-intensive projects, through non-recourse financial structures, with promise of repayments coming from the venture cash flow itself. This the primary difference between project and corporate finance, which relies on the balance sheet of the company that undertook financing.

Given the long useful life and intense upfront capital investment requirements, renewable energy projects are a very good fit for such funding structures.

The usual, simplified, structure for a project finance project consists of a sponsor, who provides the equity and the venture itself, an investment vehicle, usually a holding company that houses one or more single purpose companies ("SPC") or special purpose entities ("SPE") and a lender (or syndicate of lenders).

In the United States, following the 1992 Energy Policy Act, a tax incentive was created in order to catalyze investment in renewable energy projects. This created a structure in which eligible projects would receive a rebate on their corporate income tax in a per MWh generation basis (PTC) in the first 10 years of operation, or as a percentage of their eligible capital investments (ITC), however, this work will focus on PTCs.

Due to their long-term nature, renewable energy project sponsors typically aren't able to profit from PTC or ITC corporate tax rebates, since the project wouldn't accrue profit fast enough, therefore, wouldn't generate the tax appetite needed. This creates the necessity for the inclusion of a third participant in the structure – the tax equity investor; an investor whose corporate tax liability is big enough to absorb the

tax benefits. The simplified corporate structure of a Tax Equity and Back Leverage debt funded project is shown in Figure 1.

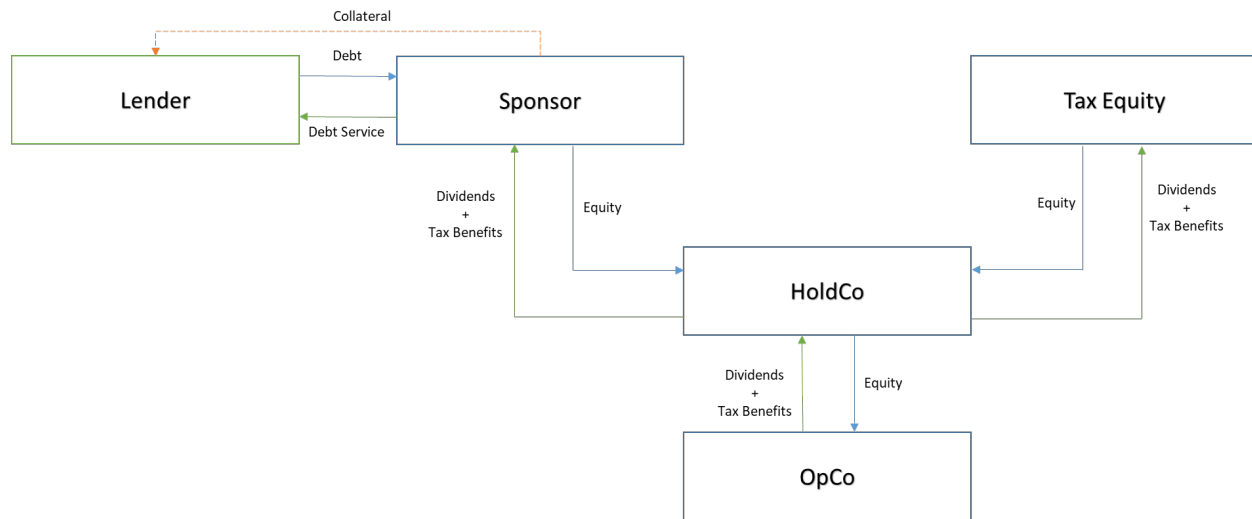


Figure 1. Tax Equity Project Finance Structure

As Tax Equity investors don't usually invest in companies that hold debt in their own balance sheet, (in which case, both Tax Equity and debt providers would have liens on the physical assets) sponsors who want to raise debt as well as Tax Equity are compelled to raise what's called back-leverage debt, which are loans repaid using their (the sponsors') portion of the dividend yield and employs their portion of the equity stake as collateral. Debt raised in this manner provides a significantly lower overall debt volume, as the lender interest would be subordinated to the Tax Equity interest, than if debt was issued at the project level. For this reason, and depending on market and Sponsor credit conditions, debt isn't used at all.

This structure has a series of drawbacks when compared to a typical project finance structure (employed on projects not eligible for PTC or ITC), among them:

1. The structure and funding process is even more complicated from a corporate structuring point of view – incurring high legal bills and ongoing accounting complexity.
2. Investors who don't have deep tax liabilities or are tax exempt are essentially excluded from the market for a large percentage of the project financing. Furthermore, economic downturns that might hurt the Tax Equity providers' tax liability, and/or cause government mandated tax breaks, can severely impact the Tax Equity availability for sponsors.
3. Significant changes in ownership/corporate structure in the first five years may result in benefits claw backs, "locking" (for projects that elect ITC) the sponsor's equity in the project and further disincentivizing the use of debt instruments.

The second point is especially relevant in a low interest rate environment, in which tax-exempt investment vehicles might look to invest in renewable energy projects to achieve higher, long term, cash flows/yields at a lower risk than low-rated bonds/instruments due to yield compression.

Another, quite significant but not project-related drawback is that, by underutilizing debt instruments, there are fewer underlying securities available for long-term debt securitization markets. In other settings, banks are able to bundle and securitize their loans, creating a secondary market for such issuances, and the sponsors themselves would also be able to tap into bond markets. With ESG investment interest increasing rapidly, going from 23 to 35 trillion dollars between 2016 - 2020, and reaching 35.9% of total assets under management, and interest rates at an all-time low, as shown in Figure 2, there is an enormous amount of capital available for renewable energy investing that is either untapped or made less attractive due to increased structuring costs.

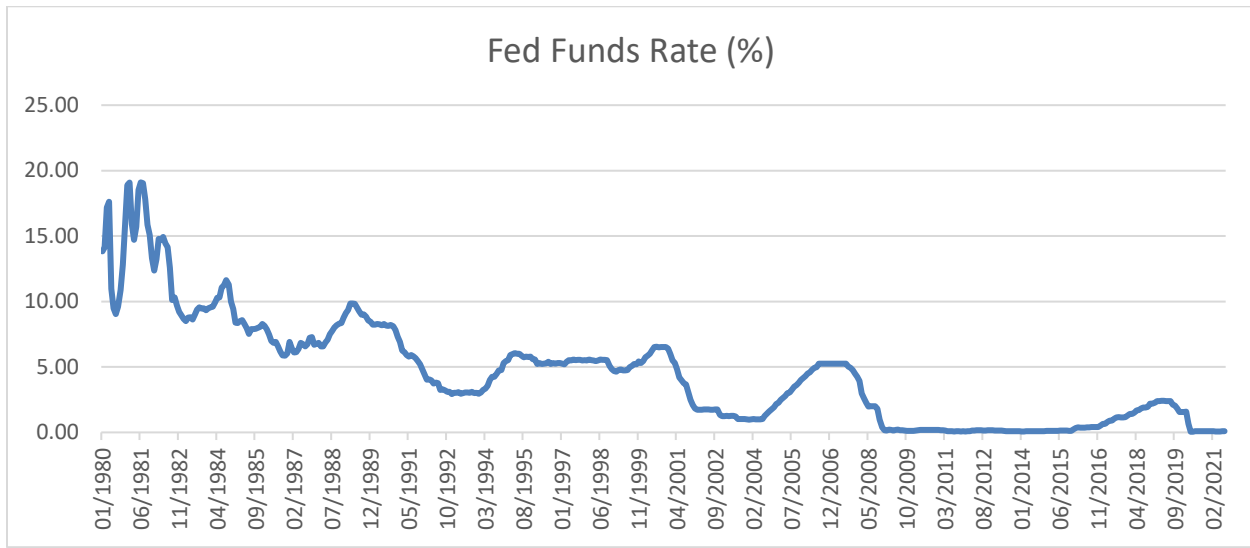


Figure 2. 1980-2021 Fed Funds Rate

Source: St. Louis Fed at <https://fred.stlouisfed.org/series/FEDFUNDS>

3 The Direct Payments Option

3.1 Structure

There is a current movement in the United States Congress that would allow developers to claim PTC benefits as direct payment, and eliminate the need for a tax-equity investor. This would both remove a great number of the hurdles discussed herein, and also allow for renewable energy project finance structures to resemble those for other large-scale projects, as shown in Figure 3.

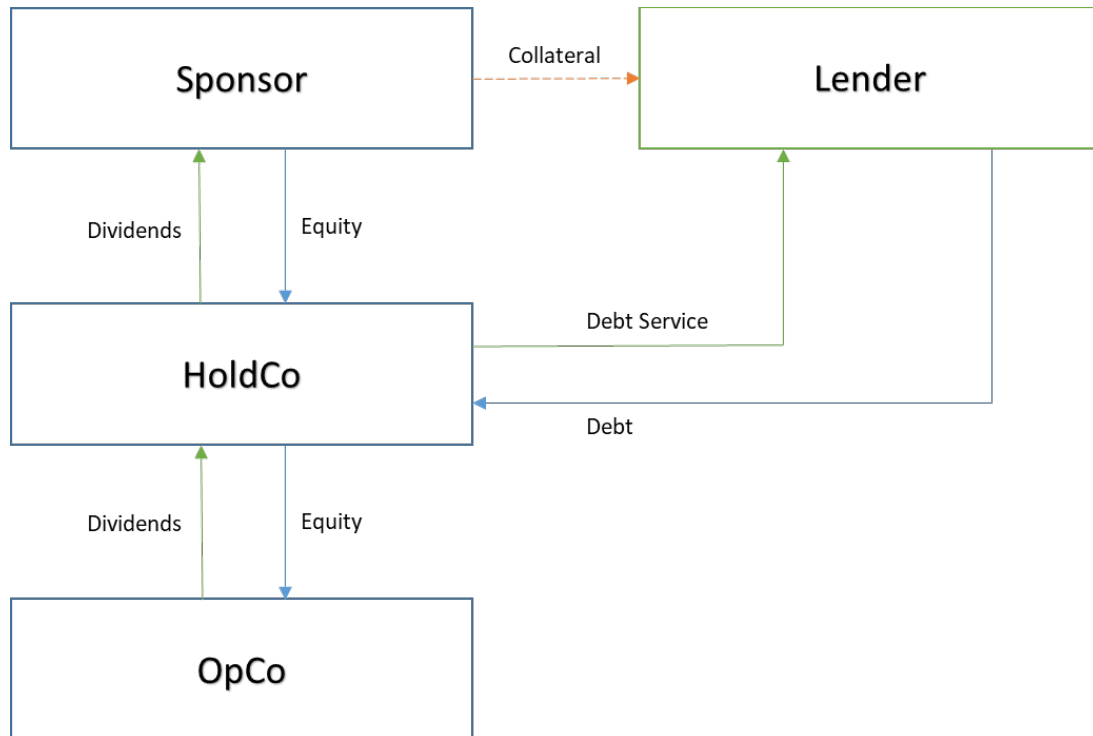


Figure 3. Typical Project Finance Structure without the Production Tax Credit

Although funding is non-recourse, the sponsor does provide a collateral to the lender, usually in the form of, and limited to, sponsor equity interest in the HoldCo. It's important to mention that the HoldCo – OpCo structure is not always necessary, and the lender may provide capital directly to the OpCo, or even to both the OpCo and HoldCo simultaneously. In all cases, the lender(s) would have a lien on the operational assets.

Projects are structured in this manner for two main reasons: First, given the intense capital requirements, by limiting lenders recourse to the project itself, the sponsor is shielded in case the project fails to perform; and second, from the lender's perspective, it is relatively uncomplicated to sever the relationship between Sponsor and HoldCo and become the de-facto project owner in such cases.

The proposed direct payments scheme would also allow the continued use of Tax Equity structures when advantageous, especially in the first 5 – 10 years of the project where, due to the Modified Accelerated Cost Recovery System (MACRS), investors with deep tax liabilities would benefit from the depreciation expense.

With the boom in capital availability, exemplified by the Money Zero Maturity ("MZM") money supply as a proxy in Figure 4, removing unnecessary hurdles is instrumental in attracting as much of it as possible to the sector.

MZM: Money of Zero Maturity, represents all readily available money, akin to M3 money supply excluding time related deposits. As readily available money eventually, albeit partially, reaches institutional investors and less liquid assets, it provides an interesting proxy of future capital availability.

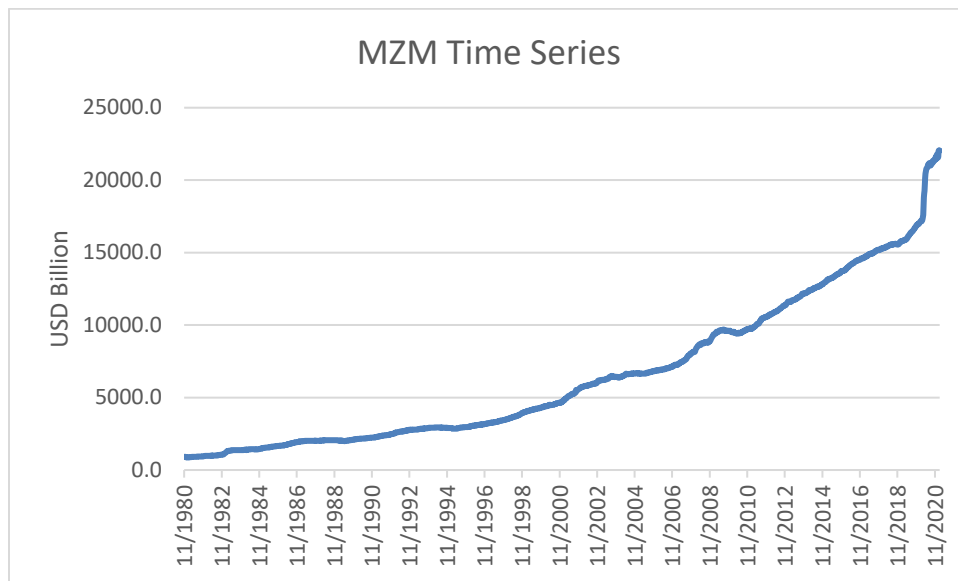


Figure 4. MZM Supply

Source: St. Luis Fed at <https://fred.stlouisfed.org/series/M2REAL>

Also, from a risk assessment and due diligence point of view, in light of recent events such as the 2021 ERCOT cold snap that caused significant grid outages in Texas, it is clear that the renewable energy market would benefit from increased scrutiny and risk management. By accessing the larger Debt and Equity Capital Markets through instruments outside of the private transaction world, such as publicly traded debenture bonds at the project level, as opposed to Tax Equity/Bank Loan transactions, the market would become subject to the greater transparency and regulatory oversight associated with review by credit ratings bureaus. Although burdensome at first, this might prove itself an invaluable instrument in increasing the credibility of the sector in the long term, as well as increase the chances of forewarnings of systemic issues, such as exposure to extreme weather risks, lack of suitable insurance coverage, and concentration of insurance policies over too few insurance providers, among others.

Changing from a Tax Equity structure to a Loan structure also alters the cash flow and benefits to both sponsor and capital providers, as shown in the case study below.

3.2 Case Study

3.2.1 Base Case

The following, simplified, hypothetical wind energy generation project will be simulated with both capital structures, from the Sponsor's point of view, considering the following assumptions¹:

- Technical assumptions:
 - NCF (P50): 42.6%
 - 1 yr P99/P50 ratio: 82%
 - Installed capacity: 100 MW
- Commercial Assumptions:
 - CAPEX: 1.436 USD \$MM/MW

- OPEX: 43 USD \$000/MW/yr
- PPA Tenure: 20 years
- PPA Price: USD \$35/MWh
- Depreciation:
 - 5-year MACRS: 90%
 - 15-year MACRS: 7%
 - 20 year Straight-Line: 3%
 - For the loan scenario, it's assumed the sponsor will opt out of MACRs and 100% of depreciation will happen in 20 years following a straight-line.
- Loan:
 - P50 DSCR: 1.3x
 - P99 DSCR: 1.0x
 - Interest: 4% per annum
 - Tenure/Amortization: 15 years (assuming market conditions remain the same)
 - Limit of 80% of CAPEX
 - Grace period of 2 years
- Tax Equity:
 - Structure: partnership flip
 - Target IRR: 6.5%
 - Benefits attributable to Tax Equity:
 - Income: 99% pre-flip, 5% post flip
 - Cash: 20% pre-flip, 5% post-flip
 - Flip target: 10 years
 - Cash sweep limited to 75% of sponsor cash flow. Shortfalls to pay back leverage debt would be resolved by a sponsor cash injection.
 - Back Leverage Debt:
 - Interest: 4% per annum
 - Tenure: 10 years
 - DSCR: 1.3x in the P50 scenario
- Tax Considerations:
 - Rate: 21%
 - Loss Carry Forward: No
 - PTC: USD 18/MWh
 - It's assumed that, under the direct payment scheme, the accrued PTC would be paid to the sponsor in full.

For simplicity, no reserve accounts, funding costs or profit reserves will be taken into consideration. Capital accounts considerations were also not considered.

Although the overall objective of the exercise is not to compare the IRR of the structures, but rather to verify that 1) the feasibility of a project without any form of tax equity or monetization of depreciation (with direct payments), and 2) direct payments would lead to reduced LCOE, which would drive both the potential for lower PPA prices and/or increased IRR in an "all things kept equal" scenario, as shown in the table below:

Table 1: Tax Equity and Loan Structures Results

Item	Unit	Loan Scenario	Tax Equity Scenario
CAPEX	USD '000	143,600	143,600
Sponsor Equity	USD '000	50,160	30,735
Debt	USD '000	93,440	41,594
Tax Equity	USD '000	0	71,272
Unlevered IRR	%	6.25%	7.25%
Sponsor IRR	%	11.21%	8.89%

It's clear, from the results, that:

1. Under the direct payment scheme, structures without tax equity are feasible
2. Tax equity can still be used as a way to monetize depreciation
3. As shown in the chart below, the present value of the overall project accrues faster to the sponsor in the loan structure versus the tax equity structure (a 5% discount rate was used).

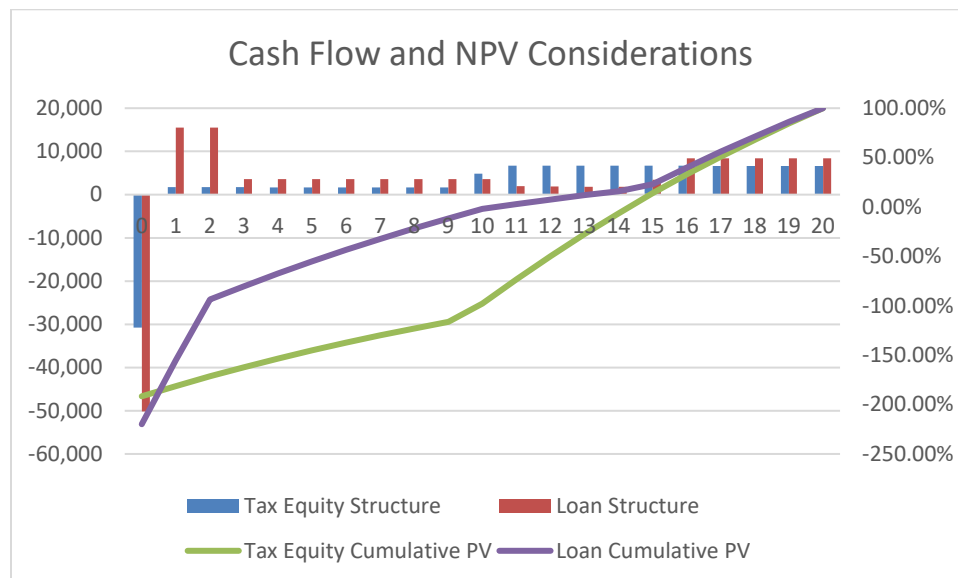


Figure 5. Cash Flow and NPV Considerations for Tax Equity and Loan Structures

3.2.2 Anomalous Events

In February 2021, the cold snap brought upon by Winter Storm Uri caused massive disruptions to the ERCOT ISO in Texas. A study developed by ArcVera Renewables (Poulos, 2021) estimated that, alongside the loss of lives and other economic repercussions, wind energy projects endured losses (or missed out on earnings) of approximately USD 4.2 B, with maximum and average losses estimated per project of USD 172.5 MM and USD 44.4 MM, respectively.

This demonstrates the importance of analyzing extremely distressed sensitivity case scenarios during the financial modeling phase. It is therefore important to compare how both structures would behave in such an event.

To simulate a very abnormal year, a 50% multiplier on energy generation was applied to years 1 through 9 (e.g., the anomaly happening on year 1 and years 2-20 being normal, then on year 2 with years 1 and 3-20 being normal, etc.) of both structures in the P50 scenario. The results are shown in Table 2.

Table 2: Effects of Anomalous Years

Anomaly Year	Loan IRR	Tax Equity IRR	Loan IRR Change	Tax Equity IRR Change
1	8.1%	6.7%	27.6%	24.8%
2	8.3%	6.8%	25.7%	23.3%
3	8.5%	6.9%	23.9%	21.9%
4	8.7%	7.1%	22.2%	20.6%
5	8.9%	7.2%	20.4%	19.2%
6	9.1%	7.3%	18.8%	18.0%
7	9.3%	7.4%	17.2%	16.7%
8	9.5%	7.5%	15.7%	15.6%
9	9.6%	7.6%	14.3%	14.4%
No Anomaly	11.2%	8.9%	0.0%	0.0%

Although, at first, due to the presence of another equity investor, one could assume that the leveraged structured would be less resilient regarding cash flow shortfalls, the existence of the cash sweep provision shifts the loss that would be shared by the Tax Equity provider to the sponsor, making the structures all but equivalent.

From a cash injection point of view, since the loan structure has higher debt service, anomalous events would require that the sponsor injects or set aside more resources in order to make their debt providers whole.

Table 3: Cash Injection Due to Anomaly

Item	Unit	Loan	Tax Equity
Cash Injection Due to Anomaly	USD '000	6,317	3,576
Debt Service	USD '000	11,906	5,391
Cash/Debt Service	%	53.06%	66.33%

This point highlights the importance of constituting a reserve account and the extra caution needed on the sponsor's part when using higher leverage values, which, as discussed above, is not necessarily a problem, as this would make risk mitigation more attractive and, ultimately, make investments in renewable energy generation more reliable.

3.2.3 Sensitivity Analysis

It is also important to analyze the effects of different than expected generation scenarios in both structures.

Multipliers ranging from 85% to 115% of P50 were applied to both structures, and the results are shown in Table 4.

Table 4: Loan and Tax Equity Sensitivity Analysis

Multiplier	Loan	Tax Equity	Loan IRR Change	Tax Equity IRR Change
85.00%	2.79%	2.50%	-75.13%	-71.84%
90.00%	5.65%	4.58%	-49.62%	-48.45%
95.00%	8.44%	6.72%	-24.69%	-24.42%
100.00%	11.21%	8.89%	0.00%	0.00%
105.00%	13.96%	10.41%	24.47%	17.07%
110.00%	16.66%	11.92%	48.57%	34.07%
115.00%	19.30%	13.43%	72.13%	51.05%

Once again, due to the cash sweep provision, the Tax Equity structure is similar in sensitivity to the Loan Structure in the downside, and less sensitive in the upside.

3.3 Optimal Capital Structure

Although the discussion of the optimal capital structure is not part of the scope of this study, it is intuitive that a developer who would be able to take advantage of the benefits stemming from both direct payments while monetizing the depreciation through a tax equity partner (or, should they have the appetite, on their own balance sheet), would be more competitive. This would only be possible in a scenario of a large enough corporation owning the project or through a complicated corporate structure, contingent on the appetite of the Tax Equity market for the depreciation exclusively.

Nevertheless, evaluating the best-case scenario, in which the project sponsor would be able to take advantage of the tax benefits stemming from depreciation, both in 20-year straight line and MACRS scenarios, is a worthwhile exercise. The results are displayed in the table below, with the depreciation being valued at 21 cents on the dollar (21% tax rate) and the same premises as above.

Table 5: Monetization of Depreciation

Item	IRR (Base case of USD 35/MWh)	Tax Equity PPA for Equivalent IRR*	Loan PPA for Equivalent IRR (No Depreciation) *	Loan PPA for Equivalent IRR (Straight Line Depreciation)*
Tax Equity	8.89%	-	-	-
Loan (No Depreciation)	11.21%	37.1	-	-
Loan (Straight Line Depreciation)	15.84%	40.5	37.5	-
Loan IRR (MACRS)	21.17%	43.1	39.53	37.5

**Base scenario is a USD \$35/MWh PPA for all cases*

Although the model is simplified, and gains in IRR might be somewhat offset by increased complexity, optimizing the corporate and financial structure can provide a clear competitive advantage to developers.

4 CONCLUSIONS

The ability to claim PTC as direct payments in lieu of tax credits would overall be beneficial to the market as a whole, as it will remove market barriers, increasing the pool of potential capital providers (and possibly reducing cost of capital), and provide sponsors flexibility to choose the capital structure that would best fit their needs, be it investing alone and increasing returns, benefiting from the experience and balance sheet of a Tax Equity Investor, or tapping the bonds market and strengthening their brand with a larger array of institutional (or even retail) investors.

In current market conditions, with an unprecedented amount of capital and interest in ESG investing, the importance of removing hurdles and facilitating investment in renewable energy projects, even by individual retail investors who might be interested in fixed income products, cannot be overstated.

This increase in the pool of investors would, in turn, increase competition and either reduce capital costs or increase capital funneled into the renewable energy sector; both of which would be positive outcomes for society at large (the first through cheaper energy prices). It would also create the need for the in-depth study of optimal capital structures, which would make it possible to take advantage of benefits from both models.

By using the Loan structure, enabled by the direct payments option, in place of the Tax Equity structure without direct payments, sponsors have to consider that the increased returns will be accompanied by increased risks, which have to be hedged or mitigated accordingly, and increased regulatory – or public – oversight would likely be necessary to keep the sector reliable, both financially and operationally.

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Annex I – Loan Base Case Scenario

Year	Unit	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Revenue	USD '000	0	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061
Generation	(MWh)	0	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176
PPA	USD/MWh	0	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
OPEX	USD '000	0	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300
EBITDA	USD '000	0	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761
EBITDA Margin	%	0.0%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%
Depreciation	USD '000	0	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180	-7,180
5 Yr	%	0%	20%	32%	19.20%	11.50%	11.50%	5.80%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15 Yr	%	0%	5%	9.50%	8.60%	7.70%	6.90%	6.20%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%
20 Yr	%	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
EBIT	USD '000	0	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581
EBIT Margin	%	0.0%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%	12.1%
Unlevered Cash Flow		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Unlevered CF	USD '000	-143,600	15,146	15,146	15,146	15,146	15,146	15,146	15,146	15,146	15,146	15,146	15,146	8,429	8,429	8,429	8,429	8,429	8,429	8,429	8,429	8,429	8,429
CAPEX	USD '000	-143,600	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EBITDA	USD '000	0	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761
Tax Expense	USD '000	0	-332	-332	-332	-332	-332	-332	-332	-332	-332	-332	-332	-332	-332	-332	-332	-332	-332	-332	-332	-332	-332
PTC	USD '000	0	6,717	6,717	6,717	6,717	6,717	6,717	6,717	6,717	6,717	6,717	6,717	0	0	0	0	0	0	0	0	0	0
IRR			6.25%																				
Levered Cash Flow		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Max Service		0	0	0	11,906	11,906	11,906	11,906	11,906	11,906	11,906	11,906	11,906	6,739	6,739	6,739	6,739	6,739	6,739	6,739	6,739	6,739	6,739
CFADS	USD '000	0	15,478	15,478	15,478	15,478	15,478	15,478	15,478	15,478	15,478	15,478	15,478	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761
BoP Debt	USD '000	0	93,440	97,177	101,064	93,201	85,022	76,517	67,671	58,471	48,904	38,954	28,605	23,010	17,191	11,140	4,846	0	0	0	0	0	0
Issuance	USD '000	93,440	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Accrual	USD '000	0	3,738	3,887	4,043	3,728	3,401	3,061	2,707	2,339	1,956	1,558	1,144	920	688	446	194	0	0	0	0	0	0
Service	USD '000	0	0	0	11,906	11,906	11,906	11,906	11,906	11,906	11,906	11,906	6,739	6,739	6,739	6,739	5,040	0	0	0	0	0	0
Interest	USD '000	0	3,738	3,887	4,043	3,728	3,401	3,061	2,707	2,339	1,956	1,558	1,144	920	688	446	194	0	0	0	0	0	0
Amortization	USD '000	0	0	0	7,864	8,178	8,506	8,846	9,200	9,568	9,950	10,348	5,595	5,819	6,052	6,294	4,846	0	0	0	0	0	0
EqP Debt	USD '000	93,440	97,177	101,064	93,201	85,022	76,517	67,671	58,471	48,904	38,954	28,605	23,010	17,191	11,140	4,846	0	0	0	0	0	0	
DSCR		-	-	-	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.74	-	-	-	-	-	-
Pre-Tax Leveraged CF	USD '000	-50,160	15,478	15,478	3,572	3,572	3,572	3,572	3,572	3,572	3,572	3,572	3,572	2,022	2,022	2,022	2,022	3,722	8,761	8,761	8,761	8,761	8,761
EBITDA	USD '000	0	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761
PTC	USD '000	0	6,717	6,717	6,717	6,717	6,717	6,717	6,717	6,717	6,717	6,717	6,717	0	0	0	0	0	0	0	0	0	0
CAPEX	USD '000	-143,600	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Issuance	USD '000	93,440	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service	USD '000	0	0	0	-11,906	-11,906	-11,906	-11,906	-11,906	-11,906	-11,906	-11,906	-11,906	-6,739	-6,739	-6,739	-5,040	0	0	0	0	0	0
IRR			11.40%																				
Post-Tax Leveraged CF	USD '000	-50,160	15,478	15,478	3,572	3,572	3,572	3,572	3,572	3,572	3,572	3,567	1,930	1,883	1,834	1,783	3,430	8,429	8,429	8,429	8,429	8,429	8,429
Pre-Tax Leveraged CF	USD '000	-50,160	15,478	15,478	3,572	3,572	3,572	3,572	3,572	3,572	3,572	3,572	3,572	2,022	2,022	2,022	2,022	3,722	8,761	8,761	8,761	8,761	8,761
Tax	USD '000	0	0	0	0	0	0	0	0	0	0	-5	-92	-139	-188	-238	-291	-332	-332	-332	-332	-332	-332
EBIT	USD '000	0	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581	1,581
Interest	USD '000	0	-3,738	-3,887	-4,043	-3,728	-3,401	-3,061	-2,707	-2,339	-1,956	-1,558	-1,144	-920	-688	-446	-194	0	0	0	0	0	0
EBT	USD '000	0	-2,156	-2,306	-2,461	-2,147	-1,820	-1,480	-1,126	-758	-375	23	437	661	894	1,136	1,387	1,581	1,581	1,581	1,581	1,581	1,581
IRR			11.21%																				

Annex II – Tax Equity Base Case Scenario

Year	Unit	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Revenue	USD '000	0	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061	13,061
Generation (MWh)		0	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176	373,176
PPA	USD/MWh	0	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
OPEX	USD '000	0	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300	-4,300
EBITDA	USD '000	0	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761
EBITDA Margin	%	0.0%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%	67.1%
Depreciation	USD '000	0	-26,566	-42,527	-25,894	-15,852	-15,772	-8,335	-808	-808	-808	-808	-808	-808	-808	-808	-808	-808	-808	-808	-808	-808
5 Yr	%	0%	20%	32%	19.20%	11.50%	11.50%	5.80%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15 Yr	%	0%	5%	9.50%	8.60%	7.70%	6.90%	6.20%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%	5.90%
20 Yr	%	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
EBIT	USD '000	0	-17,805	-33,766	-17,133	-7,091	-7,010	427	7,953	7,953	7,953	7,953	7,953	7,953	7,953	7,953	7,953	8,244	8,546	8,546	8,546	8,546
EBIT Margin	%	0.0%	-136.3%	-258.5%	-131.2%	-54.3%	-53.7%	3.3%	60.9%	60.9%	60.9%	60.9%	60.9%	60.9%	60.9%	60.9%	60.9%	63.1%	65.4%	65.4%	65.4%	65.4%
Unlevered Cash Flow		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Unlevered CF	USD '000	-143,600	12,500	15,852	12,359	10,250	10,233	8,672	7,091	7,091	7,091	7,091	7,091	7,091	7,091	7,091	7,091	7,091	7,091	7,030	6,967	6,967
CAPEX	USD '000	-143,600	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EBITDA	USD '000	0	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761	8,761
Tax Expense/Benefit	USD '000	0	3,739	7,091	3,598	1,489	1,472	-90	-1,670	-1,670	-1,670	-1,670	-1,670	-1,670	-1,670	-1,670	-1,670	-1,731	-1,795	-1,795	-1,795	-1,795
IRR			1.82%																			
PTC Earned	USD '000	0	6717.168	6717.168	6717.168	6717.168	6717.168	6717.168	6717.168	6717.168	6717.168	6717.168	6717.168	6717.168	6717.168	6717.168	6717.168	6717.168	6717.168	6717.168	6717.168	6717.168
Tax Equity Benefit		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Total Benefit/Cash Flow	USD '000	-71,272	12,104	15,422	11,964	9,876	9,860	8,314	6,749	6,749	6,749	6,749	355	355	355	355	355	351	348	348	348	348
Contribution	USD '000	-71,272	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax Expense/Benefit	USD '000	0	3,702	7,020	3,562	1,474	1,457	-89	-1,653	-1,653	-1,653	-1,653	-84	-84	-84	-84	-84	-87	-90	-90	-90	-90
PTC	USD '000	0	6,650	6,650	6,650	6,650	6,650	6,650	6,650	6,650	6,650	6,650	0	0	0	0	0	0	0	0	0	0
Cash	USD '000	0	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	1,752	438	438	438	438	438	438	438	438	438	438
Sweep Flag	0/1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Flip date IRR			6.50%																			
Total IRR			6.96%																			
Unlevered Sponsor Benefit		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Total Benefit/Cash Flow	USD '000	-72,328	7,113	7,147	7,112	7,091	7,091	7,075	7,059	7,059	7,059	7,059	6,737	6,737	6,737	6,737	6,737	6,678	6,618	6,618	6,618	6,618
Contribution	USD '000	-72,328	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax Expense/Benefit	USD '000	0	37	71	36	15	15	-1	-17	-17	-17	-17	-1,587	-1,587	-1,587	-1,587	-1,587	-1,645	-1,705	-1,705	-1,705	-1,705
PTC	USD '000	0	67	67	67	67	67	67	67	67	67	67	0	0	0	0	0	0	0	0	0	0
Cash	USD '000	0	7,009	7,009	7,009	7,009	7,009	7,009	7,009	7,009	7,009	7,009	8,323	8,323	8,323	8,323	8,323	8,323	8,323	8,323	8,323	8,323
Sponsor IRR			7.25%																			
Levered Sponsor Benefit		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Cash	USD '000	0	7,009	7,009	7,009	7,009	7,009	7,009	7,009	7,009	7,009	7,009	8,323	8,323	8,323	8,323	8,323	8,323	8,323	8,323	8,323	8,323
BoP Debt	USD '000	0	41,594	37,866	33,989	29,957	25,764	21,403	16,868	12,151	7,245	2,144	0	0	0	0	0	0	0	0	0	0
Issuance	USD '000	41,594	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest Accrual	USD '000	0	1,664	1,515	1,360	1,198	1,031	856	675	486	290	86	0	0	0	0	0	0	0	0	0	0
Debt Service	USD '000	0	5,391	5,391	5,391	5,391	5,391	5,391	5,391	5,391	5,391	2,330	0	0	0	0	0	0	0	0	0	0
Interest	USD '000	0	1,664	1,515	1,360	1,198	1,031	856	675	486	290	86	0	0	0	0	0	0	0	0	0	0
Amortization	USD '000	0	3,728	3,677	4,022	4,149	4,361	4,535	4,717	4,905	5,102	2,144	0	0	0	0	0	0	0	0	0	0
EqP Debt	USD '000	41,594	37,866	33,989	29,957	25,764	21,403	16,868	12,151	7,245	2,144	0	0	0	0	0	0	0	0	0	0	0
Total Benefit/Cash Flow	USD '000	-30,735	1,722	1,756	1,721	1,700	1,699	1,684	1,668	1,668	1,668	1,668	4,830	6,737	6,737	6,737	6,737	6,737	6,678	6,618	6,618	6,618
Contribution	USD '000	-72,328	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax Expense/Benefit	USD '000	0	37	71	36	15	15	-1	-17	-17	-17	-17	-1,587	-1,587	-1,587	-1,587	-1,587	-1,645	-1,705	-1,705	-1,705	-1,705
PTC	USD '000	0	67	67	67	67	67	67	67	67	67	67	0	0	0	0	0	0	0	0	0	0
Cash	USD '000	0	7,009	7,009	7,009	7,009	7,009	7,009	7,009	7,009	7,009	7,009	8,323	8,323	8,323	8,323	8,323	8,323	8,323	8,323	8,323	8,323
Back Leverage Debt Issuance	USD '000	41,594																				
Back Leverage Debt Service	USD '000	0	-5,391	-5,391	-5,391	-5,391	-5,391	-5,391	-5,391	-5,391	-5,391	-2,230	0	0	0	0	0	0	0	0	0	0
Sponsor IRR			8.89%																			